



**MANAGEMENT DISCUSSION & ANALYSIS FORM
51-102F1**

**JUNE 30, 2010
SECOND QUARTER**

FORWARD LOOKING STATEMENTS

Certain statements contained in this Management Discussion and Analysis (the “MD&A”) and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the company to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include: the availability of funds; the timing and content of work programs; results of exploration activities and development of mineral properties, the interpretation of drilling results and other geological data, the uncertainties of resource and reserve estimations, receipt and security of coal permits and mineral property titles; project cost overruns or unanticipated costs and expenses, fluctuations in product prices; currency fluctuations; and general market and industry conditions. Forward-looking statements are based on the expectations and opinions of the Company’s management on the date the statements are made. The assumptions used in the preparation of such statements, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made.

PRELIMINARY INFORMATION

For the purpose of this Management Discussion and Analysis (“MD&A”), the terms “the Company” and “Goldsources”, refer to Goldsource Mines Inc. The information provided in this MD&A is supplemented by disclosure contained within the Company’s financial statements for the six month period ended June 30, 2010 and audited financial statements for the year ended December 31, 2009, along with further information on Goldsource, including any news releases and historical reports. [Please note: the documents are not contained within, nor attached, to this MD&A – the reader may access the documents on the Company’s website at www.goldsourcemines.com, and filed on SEDAR at www.sedar.com]. All financial information contained in this MD&A was prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). All dollar amounts are expressed in Canadian Dollars unless specifically stated otherwise.

The effective date of this Management Discussion & Analysis is August 27, 2010.

QUALIFIED PERSON

Technical information contained in this MD&A has been prepared by or under the supervision of N. Eric Fier, CPG, P.Eng, who is a ‘Qualified Person’ for the purpose of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (“NI 43-101”). He has verified the data comprising such technical information, including sampling, analytical and test data underlying the information or opinions contained herein. [Note: the complete NI 43-101 reports may be viewed on SEDAR at www.sedar.com].

OVERALL PERFORMANCE

The Company’s discovery of major thermal coal occurrences in east-central Saskatchewan in 2008 resulted in aggressive exploration and development of this new coal discovery. Since the initial discovery, Goldsource has drilled 140 holes, and found substantial coal resources in 17 deposits with an expenditure of approximately \$14.6 million since the discovery. Overall, the estimated coal resources at Border consist of 63.5 million Indicated tonnes plus 89.6 million Inferred tonnes, and 18.7 million Speculative tonnes as stated in the “Technical Report on the Border Coal Property, Resource Estimation” dated December 24, 2009 by Moose Mountain Technical Services of Elkford, BC and posted on SEDAR at www.sedar.com.

On June 27, 2008, the Company issued 1,532,000 common shares at a price of \$11.75 per common share for gross proceeds of \$18,001,000 pursuant to a brokered private placement.

Goldsources entered into an agreement on December 10, 2009 with Westcore Energy Ltd. (“Westcore”), in which the Company agreed to apply its proprietary geophysical matrix to Westcore’s Fugro airborne geophysical data, and to provide Westcore with specific drill sites on its Saskatchewan and Manitoba coal lands. As partial consideration, Westcore initially issued 100,000 common shares to Goldsource. On March 22, 2010, Westcore announced the discovery of several significant coal deposits adjacent to the Company’s Border Property. The Success Criteria set out in the agreement have been satisfied, and Goldsource has received an additional 1 million shares of Westcore, and a 25% working interest in Westcore’s coal lands in Saskatchewan and Manitoba.

The Company continues to focus its efforts on the delineation of the coal occurrences identified on the Border Property in east-central Saskatchewan and on two other coal properties, Ballantyne (Saskatchewan) and Pine River (Manitoba), which have been explored by Goldsource.

Goldsources filed an Annual Information Form for the year ended December 31, 2009. [Note: the complete AIF dated May 18, 2010 is available for viewing on SEDAR at www.sedar.com].

OVERALL PERFORMANCE (continued)

Highlights for the three-month period as at June 30, 2010 are as follows:

- Goldsource concluded its winter drilling program. The Company drilled 27 core holes at its Border Project, which encountered several thick coal zones including a 126.5-metre deposit, 8 drill holes on its Pine River Property, and five drill holes on its Ballantyne Property. A total of 177 coal samples were sent to Loring Laboratories Ltd. in Calgary, AB for proximate analyses and additional testing. Two geotechnical and one hydrological drill holes were completed, and the results will be included in the Preliminary Economic Assessment (PEA) being conducted by Marston Consultants of Calgary, AB and EBA Engineering Consultants (EBA) of Vancouver, BC, which is scheduled for completion in the 3rd quarter of 2010. Several coal technologies for energy production are under review including clean coal power generation, coal quality upgrading, coal gasification and coal to liquids. [Please refer to April 9, 2010 News Release, which can be viewed on the Company's website at www.goldsourcemines.com and filed on SEDAR at www.sedar.com].
- In April, Fugro Geophysics of Ottawa completed a detailed airborne gravity geophysical program over priority coal deposits at Border. The gravity survey was implemented to test the coal deposit boundaries and better define coal deposit size. Successful definition of coal boundaries within +/- 20 metres appears to be possible using these airborne survey techniques. Several new or expanded coal targets were defined and are expected to be drill-tested.

EXPLORATION PROPERTIES

Border Property, Saskatchewan

In April 2008, Goldsource announced the completion of two holes on the Border property which intercepted a coal seam, including partings, of approximately 25 and 35 metres in thickness at a depth of approximately 80 metres. The holes were approximately 1.5 kilometres apart. These two holes were the discovery holes for what is now developing into a major coalfield with potential for district and regional coal occurrences. It has since been determined that the coal occurrences identified to date are found in discrete deposits of varying dimensions individually containing coal resources ranging from 3.4 million tonnes to 66.3 million tonnes.

Goldsource completed a winter drilling program at Border on April 9, 2010 with 27 core holes drilled. Details of the hole locations, coal intervals and analytical results as established in the Company's NI 43-101 "Technical Report on the Border Coal Property, Resource Estimation" prepared by Moose Mountain Technical Services dated December 24, 2009 can be found on the Company's website at www.goldsourcemines.com and filed on SEDAR at www.sedar.com.

Current coal resources at Border include Indicated Resources of 63.5 million tonnes; Inferred Resources of 89.6 million tonnes; and Speculative Resources of 18.7 million tonnes.

The Company's 2010 winter drill program comprised of 27 drill holes totalling 3,768 metres at Border, three of which were drilled for geotechnical and hydrological data. Fourteen drill holes intercepted aggregate coal zone thicknesses ranging up to 126.5 metres. Those holes that did not intercept coal were generally on the periphery of known coal deposits. A total of 177 coal samples were sent Loring Laboratories Ltd. in Calgary, AB for proximate analyses and additional testing. Several coal technologies for energy production are under review including clean coal power generation, coal quality upgrading, coal gasification and coal to liquids.

On March 1, 2010, Goldsource retained Marston Consultants of Calgary, AB and EBA Engineering Consultants of Vancouver, BC to complete a Preliminary Economic Assessment (PEA). Environmental baseline work under the direction of EBA has begun with emphasis on collecting data and reporting on results for the PEA, which will be finished in Q3 2010. The environmental work will continue through the end of 2010.

Initial results from the PEA suggest:

- An on-site 500 MW Clean coal-fired generator is a possible choice for an end use of the coal. Design of the coal-fired electric generating plant can accommodate the coal quality of the deposits. Abundant biomass resources available in Saskatchewan to offset CO₂ emissions for a reduced carbon footprint can supplement this fuel. Recent power studies suggest that a 500 MW generator would help fulfill Saskatchewan's future power requirements.
- An on-site coal to liquids plant appears to be a second alternative for an end use. Goldsource has signed confidentiality agreements with providers of this technology, which will be assessed as part of the PEA. Indications are that these technologies can be economically competitive with the current price of oil. Based on conversion ratios of 1.5 to 3.0 barrels of oil equivalents per tonne of coal, there is an estimated 200 to 400 million barrels of oil equivalent contained in the Border Coal deposits.

EXPLORATION PROPERTIES (continued)

- A review of potential power generation partners is underway. In addition, the study will examine mining and capital costs, transportation and potential export markets.

During the six-month period ended June 30, 2010, the Company incurred \$142,549 on acquisition costs and \$2,513,464 on exploration expenditures on the Border Property. Most of the expenditures incurred on the property during the period consist of drilling \$623,106, site support \$594,201, technical consultants \$444,313, geophysical services \$322,405, operations and general \$237,187, camp rental \$217,790, personnel and related costs \$163,633 and fuel \$156,249. In June the Company received 1million Westcore shares (see Westcore Energy Ltd. Agreement section). The initial value attributed to these shares of \$350,000 was recorded against the Border Property.

Ballantyne Property, Saskatchewan

In 2008 and 2009, Goldsource received a total of 250 coal permit certificates from the Saskatchewan Ministry of Energy and Resources for coal applications filed by the Company. The permits cover the Ballantyne property located southeast of Wapawekka Hills, Saskatchewan. The area is easily accessible with highways and secondary improved gravel roads and is approximately 50km southwest of the village of Deschambault Lake.

The initial coal permits comprised a total of approximately 184,496 hectares (1,845 square kilometres), which allow the Company to explore the area for coal over a period of three years with two possible 6-month extensions. The permits are convertible to 15-year leases with subsequent renewals. The Company is currently assessing its future exploration plans for this area.

In July 2009, Fugro Airborne Surveys Corp. completed an airborne geophysical survey over the Ballantyne permits, which enabled the application of proprietary data processing developed at Border to assist in defining priority targets at Ballantyne. In December 2009, Goldsource was granted permits for a drill program on the Ballantyne property with approximately 10 - 15 holes planned. The program was designed to identify potentially shallow coal targets, provide preliminary information on coal quality, and give insight into the extent of potential coal basins.

In April 2010, five drill holes totalling 569 metres were completed at the Ballantyne property in Saskatchewan to test airborne geophysical targets. No coal was intercepted in these holes.

During the six month period ended June 30, 2010, the Company incurred \$619,542 on exploration expenditures on the Ballantyne property which primarily relates to site support \$393,568, operations and general \$102,094 and drilling \$98,222.

Manitoba Properties

Fugro Airborne Surveys Corp. completed an airborne geophysical survey over the Manitoba properties in July 2009, which enabled the application of proprietary data processing developed at Border to assist in defining priority targets in Manitoba and further refinement of the land acquisition process. The Company received eight quarry permits from the Manitoba Mines Branch totaling approximately 44,664 hectares on October 30, 2009.

In December 2009, Goldsource implemented a winter drill program at its Pine River Property, with continued drilling in January 2010. Eight holes were completed at Pine River, with two coal intercepts from 1 to 3 metres thick. On January 31, 2010, drilling was discontinued pending completion of the consultation process between the Government of Manitoba and First Nations groups regarding the work program. The Company is currently assessing its future exploration plans for this area.

During the six month period ended June 30, 2010, the Company incurred \$19,271 on acquisition costs and \$296,361 on exploration expenditures in Manitoba, which primarily relates to drilling \$159,363 and operations and general \$50,807. The Company received refunds of \$1,248,413 on quarry permit applications.

WESTCORE ENERGY LTD. AGREEMENT

Goldsourc entered into an agreement with Westcore Energy Ltd. ("Westcore") dated December 10, 2009 pursuant to which the Company agreed to apply its proprietary geophysical matrix to Westcore's Fugro airborne geophysical data and to provide Westcore with specific drill sites on its Saskatchewan and Manitoba coal lands.

As partial consideration, Westcore initially issued 100,000 common shares to Goldsourc. The agreement stated in the event that Westcore is successful in drilling at least one intercept consisting of not less than 10 metres of coal on each of two drill targets identified by the Company ("Success Criteria"), the following additional conditions will apply:

- i. Westcore will issue an additional 1 million common shares to the Company;
- ii. The Company will receive a 25% working interest in all of Westcore coal lands in Saskatchewan and Manitoba;
- iii. Westcore will expend an additional \$3 million on the aforementioned lands before the Company will be required to contribute its 25% share of expenditures;
- iv. Westcore and the Company will enter into a 75% / 25% joint venture agreement with terms and conditions standard to mining industry joint ventures;
- v. The Company will contribute its 100% interest in its 10 sections of coal permits that are within the Hudson Bay North Block which is located adjacent to the Company's Border Property in Saskatchewan; and
- vi. In the event that Westcore acquires interests from time to time in any additional prospective coal properties in Saskatchewan or Manitoba, the Company shall have the option to acquire a 25% joint venture participating interest therein.

Please refer to the Company's news release dated December 11, 2009 at www.goldsourceminest.com for further details of the agreement.

On April 9, 2010, Goldsourc announced the Success Criteria set out above had been satisfied. The Company has now received an additional 1 million shares of Westcore and a 25% working interest in Westcore's coal lands in Saskatchewan and Manitoba. Westcore recently announced the discovery of several significant coal deposits adjacent to the Border property in which the Company now has a 25% interest.

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations to date primarily through the issuance of common shares. The Company currently has no operations from which to derive revenues. It receives income from interest on cash balances and short-term investments.

Net cash provided by investing activities for the six-month period ended June 30, 2010 was \$45,332. The Company redeemed \$2,750,000 of short term investments during the period and received \$1,248,413 as refunds of deposits for Manitoba quarry permit applications. Cash used during the period consists of \$3,950,637 spent on mineral properties and \$2,444 on equipment acquisition. There were no financings in the period ended June 30, 2010. The Company received cash proceeds of \$8,990 from the exercise of stock options.

As a mineral exploration company, Goldsource is reliant upon equity financings to fund its exploration activities. However, there can be no assurance that the Company will be successful in obtaining additional financing at a future date.

The Company's working capital as at June 30, 2010 was \$1,844,149, which is sufficient to meet the Company's current business objectives for the foreseeable future; the Company has no material commitments in 2010.

The following table contains selected financial information of the Company's liquidity and capital resources:

	June 30, 2010	December 31 2009
Cash	\$ 181,877	\$ 355,751
Short term investments	\$ 1,506,832	\$ 4,257,976
Mineral properties	\$ 17,349,657	\$ 15,006,883
Working capital	\$ 1,844,149	\$ 4,415,135

FINANCIAL PERFORMANCE

Results of operations for the three months ended June 30, 2010 and 2009

The net loss for the three months ended June 30, 2010 is \$368,655, as compared to \$799,681 in 2009. The principal differences of note are as follows:

- Professional fees decreased to \$56,656 (2009 - \$83,121) due to a reduction in accounting services relating to the 2009 implementation of new accounting software.
- Stock based compensation decreased to \$136,056 (2009 - \$631,240) due to fewer options vested and granted as compared with the same period in 2009.
- Interest income decreased to \$2,672 (2009 - \$68,556) due to decreased funds held on deposit.
- Unrealized loss on held-for-trading securities amounted to \$27,000 (2009 - \$NIL) as a result of the marked to market valuation at June 30, 2010.

Results of operations for the six months ended June 30, 2010 and 2009

The net loss for the six months ended June 30, 2010 is \$706,759, as compared to \$1,005,264 in 2009. The principal differences of note are as follows:

- Administrative and management remuneration increased to \$142,437 (2009 - \$100,003) due to utilization of more personnel by the Company compared with the same period in 2009.
- Investor relations decreased to \$19,860 (2009 - \$47,011) due to a reduction in marketing expenditures.
- Professional fees decreased to \$83,726 (2009 - \$105,528), Stock based compensation decreased to \$307,305 (2009 - \$723,336), Interest income decreased to \$7,964 (2009 - \$144,349) and Unrealized loss on held-for-trading securities amounted to \$25,000 (2009 - \$NIL) as noted above.

SUMMARY OF QUARTERLY RESULTS

The following financial data is selected information for the Company for the eight most recently completed financial quarters:

Period	Revenues		Net Loss		Net Loss per Share ⁽¹⁾
Q2 June 30, 2010	\$	Nil	\$	(368,655)	\$ (0.02)
Q1 March 31, 2010	\$	Nil	\$	(338,104)	\$ (0.02)
Q4 December 31, 2009	\$	Nil	\$	(525,019)	\$ (0.03)
Q3 September 30, 2009	\$	Nil	\$	(621,312)	\$ (0.03)
Q2 June 30, 2009	\$	Nil	\$	(799,681)	\$ (0.04)
Q1 March 31, 2009	\$	Nil	\$	(205,583)	\$ (0.01)
Q4 December 31, 2008	\$	Nil	\$	(542,177)	\$ (0.03)
Q3 September 30, 2008	\$	Nil	\$	(4,076,084)	\$ (0.22)

(1) All per share amounts are calculated on a weighted average basis.

The large net loss for the third quarter of 2008 is due primarily to the write-off of mineral property expenditures, and for the second and third quarter of 2009 due to stock based compensation.

INVESTOR RELATIONS ACTIVITIES

Management and company personnel currently perform all investor relations services. There are no external investor relation contracts or commitments as at June 30, 2010. Investor relations activities consist mainly of communicating with existing shareholders, networking with analysts, brokers and newsletter writers, disseminating material information in news releases, maintaining a corporate website and multimedia advertising. Goldsource regularly attends tradeshows to present the affairs and merits of the Company to potential investors, and increase overall awareness of the Company within international investment communities.

SUBSEQUENT EVENTS

As at the date hereof there were no subsequent events requiring disclosure.

COMMITMENT

The Company has an operating lease agreement for office space. This agreement requires the Company to make the following lease payments:

	Office Lease
Year ending December 31, 2010	\$ 49,491
Year ending December 31, 2011	49,491
Year ending December 31, 2012	28,870
	<u>\$ 127,852</u>

OUTSTANDING SHARE CAPITAL

Capital stock

Unlimited number of common shares without nominal or par value.

Unlimited number of preferred shares without nominal or par value (none outstanding).

As at June 30, 2010, the Company had outstanding 19,963,658 common shares. In addition, the Company had outstanding 2,984,000 share purchase options for total diluted shares outstanding of 22,947,658. As at the date hereof, there had been no change to the total diluted shares outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

As at June 30, 2010, the Company had no off-balance sheet arrangements, such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instrument obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

RELATED PARTY TRANSACTIONS

The Company had the following transactions with related parties:

- a) Paid \$60,000 (2009 - \$60,000) for management fees to a company owned by an officer and director of the Company.
- b) Paid or accrued \$56,268 (2009 - \$51,134) for legal fees which were included in professional fees to a law firm of which an officer of the Company is a partner.

Included in accounts payable and accrued liabilities at June 30, 2010 is \$13,556 (2009 - \$12,197) due to a law firm of which an officer of the Company is a partner and \$10,331 (2009 - \$7,875) due to a company owned by an officer and director of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

The Company is exposed to various financial instrument risks, and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

a. Capital Risk Management

Goldsource manages its capital to safeguard the Company's ability to continue as a going concern, to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in the shareholder's equity as capital. The Company manages the capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets, incur debt, or return capital to shareholders. As at the date hereof, the Company did not have any debt and is not subject to externally imposed capital requirements.

b. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Goldsource has a planning and budgeting process in place to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. Goldsource has its cash invested in business accounts with quality financial institutions, which is available on demand for the Company's programs, and Goldsource is not invested in any asset-backed commercial paper. However, the Company will require significant additional funding in the future to continue to explore its coal properties. Accordingly, there is a risk that the Company may not be able to secure adequate funding on reasonable terms, or at all, at that future date.

c. Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, short-term investments and amounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and short-term investments with high-credit quality financial institutions. Receivables are due primarily from government agencies.

d. Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents. Goldsource's practice has been to invest cash at floating rates of interest, in cash equivalents, in order to maintain liquidity while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash, as they are generally held with large financial institutions. As at the date hereof, with all other variables unchanged, a 1-percentage point change in interest rates would not have a significant impact on the Company's loss and comprehensive loss for the year.

FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (continued)

e. Financial instruments carrying value and fair value

The Company's financial instruments as at June 30, 2010 consist of cash, short-term investments, and held-for-trading securities, amounts receivable and accounts payable and accrued liabilities. The fair value of cash, short-term investments, amounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity. The fair value of the held-for-trading securities is based on exchange-traded values. The held-for-trading securities are classified as level 1 within the fair value hierarchy.

PROPOSED TRANSACTIONS

In the normal course of business, the Company evaluates property acquisition transactions and, in some cases, makes proposals to acquire such properties. These proposals, which are usually subject to Board, regulatory and, sometimes, shareholder approvals, may involve future payments, share issuances and property work commitments. These future obligations are usually contingent in nature and generally, the Company is only required to incur the obligation if it wishes to continue with the transaction. As of this date, the Company has a number of possible transactions that it is examining. Management is uncertain whether any of these proposals will ultimately be completed.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian public enterprises need to adopt IFRS effective for years beginning on, or after January 1, 2011. The Company's first mandatory filing under IFRS will be the unaudited interim financial statements for the quarter ending March 31, 2011, with comparative financial information for the quarter ended March 31, 2010, an opening balance sheet as at January 1, 2010 (transition date), and full disclosure of all new IFRS policies.

The first audited annual financial statements will be for the year ending December 31, 2011, with comparative financial information for the year ended December 31, 2010. Although IFRS uses a conceptual framework similar to GAAP, there are significant differences in recognition, measurement and disclosure.

During 2009, the Company's management examined the impact of the changes in accounting policies per IFRS and attended seminars on the adoption and implementation of IFRS. The examination revealed that there were a number of key accounting areas where IFRS differs from current Canadian GAAP and also identified alternatives in those and other key areas. The Company reviewed its existing accounting system along with its internal and disclosure control process and concluded that they would not need significant modification as a result of the Company's conversion to IFRS in 2011.

The Company is in the process of completing its detailed review and assessment of IFRS standards. Goldsource has preliminarily identified those standards it believes will have the most material impact on the Company, as follows:

Property, Plant and Equipment ("PP&E")

Under IFRS, PP&E can be measured at fair value or at cost while under Canadian GAAP, the Company has to carry PP&E on a cost basis and the revaluation is prohibited.

Upon adoption of IFRS, the Company has to determine whether to elect a cost model or revaluation model. Management has yet to decide on which model to adopt. Goldsource is in the process of identifying the potential impact on the property, plant and equipment balance.

In accordance with International Accounting Standard (IAS) 16 "Property, Plant and Equipment", upon acquisition of significant assets, the Company will need to allocate an amount initially recognized in respect of an asset to its component parts and accounts for each component separately when the components have different useful lives or the components provide benefits to the entity in a different pattern.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

Impairment of Assets

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset-carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset-carrying values with discounted cash flows. IAS 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows).

IFRS also requires the reversal of any previous asset impairments, excluding goodwill, where circumstances have changed. Canadian GAAP prohibits the reversal of impairment losses.

The differences in methodology may result in asset impairments upon transition to IFRS. In addition, the potential for asset impairments will increase in the future.

Exploration and Evaluation Assets

Under the Company's current accounting policy, acquisition costs of mineral properties, together with direct exploration and development expenses incurred thereon are capitalized.

Upon adoption of IFRS, the Company has to determine the accounting policy for exploration and evaluation assets. The Company can decide to apply the International Accounting Standards Board ("IASB") Framework which requires exploration expenditures to be expensed and capitalization of expenditures only after the completion of a feasibility study or keep the existing Company policy, if relevant and reliable.

Management has yet to decide on whether or not to fully adopt IFRS 6, "Exploration and Evaluation of Mineral Properties", and apply the IASB framework.

Share Based Payments

IFRS and Canadian GAAP largely converge on the accounting treatment for share-based transactions with only a few differences.

Canadian GAAP allows either accelerated or straight-line method of amortization for the fair value of stock options under graded vesting. Currently, the Company is using the accelerated amortization method and therefore the adoption of IFRS 2 is not expected to have an impact on the Company's financial statements.

Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occur. The Company is expecting to use an estimate of forfeitures when determining the number of equity instruments expected to vest during fiscal 2010. The adoption is not expected to have an impact on the financial statements.

Future Income Taxes

As with Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward traced to equity.

IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings.

Implementing IAS 12, Income Taxes is not expected to have an impact on the financial statements. However, as events and circumstances of the Company's operations change that give rise to future income taxes, IAS 12 will be applied.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

Presentation and Disclosure

Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required to its financial statements.

Plan for the Remainder of 2010

Goldsource will continue to perform detailed assessments and technical analysis that will result in the conclusion of IFRS transitional adjustments, aid decisions on accounting policy choices and assist in the drafting of accounting policies. Goldsource expects to have completed pro forma financial statements, quantified the impact of the significant changes to the Company's current accounting policies on the Company's IFRS opening balance sheet and identified business processes and resources impacted by the end of the third quarter of 2010. Goldsource will continue to assess resource and training requirements as the transition progresses. Goldsource will continue to monitor standards development as issued by the International Accounting Standards Board and the Canadian Institute of Chartered Accountants Accounting Standards Board, as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of the Company's adoption of IFRS.

RISK FACTORS

Risk management is an ongoing exercise upon which the Company spends a substantial amount of time. A number of factors could negatively affect the Company's business and the value of the Company's common shares, including the factors listed below. Additional risks and uncertainties currently not known to Goldsource, or that the Company considers immaterial may also impair the business operations. If any such risks or uncertainties actually were to occur, the Company's business, prospects, financial condition and operating results could be materially harmed. While it is not possible to eliminate all of the risks inherent to the mining business, the Company strives to manage these risks, to the greatest extent possible, to ensure that its assets are protected.

Financing risks

Goldsource has sufficient financial resources to carry out planned exploration on all its projects, and to fund its general administrative costs. However, there are no revenues from operations and no assurances that sufficient funding will be available to conduct further exploration and development of its projects or to fund exploration expenditures. If the Company's exploration and development programs are successful, additional funds will be required for development of one or more projects. Failure to obtain additional funding could result in the delay or indefinite postponement of further exploration and development or the possible loss of the Company's properties. It is intended that such funding will be obtained primarily from future equity issues. If additional funds are raised from the issuance of equity or equity-linked securities, the percentage ownership of the current shareholders of Goldsource will be reduced, and the newly issued securities may have rights, preferences or privileges senior to or equal to those of the holders of the Company's existing common shares. Goldsource's ability to raise the additional capital, and the cost of such capital, will depend upon market conditions from time to time. There can be no assurances that such funds will be available at reasonable cost or at all.

Dilution from further equity financing

If the Company raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of shareholders of the Company and reduce the value of their investment.

Risks inherent in the mining business

Coal exploration is inherently risky. Few exploration properties are ultimately developed into producing mines. The business involves significant financial risks over a significant period of time that even a combination of careful evaluation, experience and knowledge may not eliminate. It is impossible to ensure that the Company's current or proposed exploration programs will result in commercially viable mining operations.

Commercial viability of developing a coal reserve depends on a number of factors, such as: size and grade of the deposit; proximity to infrastructure; financing costs and governmental regulations that include regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of coal and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

RISK FACTORS (continued)

Coal properties are often non-productive for reasons that cannot be anticipated in advance, and such operations may be subject to risks and hazards even after the commencement of mining operations. Potential risks include: availability of a suitably trained or trainable labour force; an effective working relationship between the Company and its labour force; successful renegotiation of labour contracts when they expire, particularly with respect to its unionized labour force and related collective agreement; environmental hazards; industrial accidents; unusual or unexpected geological formations or conditions; unanticipated metallurgical difficulties; the ability to acquire on a timely basis the equipment and materials necessary to operate the mine at full planned capacity; weather conditions (including historically unforeseen and unpredictable changes in weather patterns such as significantly increased severity of adverse conditions that may be brought about by the phenomenon of global warming or climate change); rock bursts, cave-ins or other ground control problems; seismic activity; flooding; water conditions; and coal or concentrate losses. The occurrence of any of the foregoing could result in damage to or destruction of coal properties or production facilities, personal injuries, environmental damage, delays or interruption of production, increases in production costs, monetary losses, legal liability and adverse government action.

Regulatory and environmental risks

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment, exploration, development, waste disposal, toxic substances and other matters. New laws and regulations, amendments to existing laws and regulations or more stringent implementation of existing laws and regulations could have a material adverse impact on the Company, increase costs, cause a delay or prevent the development of new mineral properties. Goldsource believes it is currently in compliance in all material respects with all applicable environmental laws and regulations.

Mining is subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of coal exploration and production. Environmental liability may result from mining activities conducted by others prior to the Company's ownership of a property. To the extent Goldsource is subject to uninsured environmental liabilities, the payment of such liabilities would reduce the Company's otherwise available earnings and could have a material adverse effect on Goldsource. Should the Company be unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy, which could have a material adverse effect on the Company. In addition, Goldsource does not have coverage for certain environmental losses and other risks as such coverage cannot be purchased at a commercially reasonable cost.

Licenses and permits

The Company's operations require licenses and permits from various governmental authorities. Goldsource believes it holds all material licenses and permits required under applicable laws and regulations, and believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost.

Competition

The mineral industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

Mineral reserve and resource estimates

Where used by the Company, figures for coal resources are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved, or that reasonable levels of recovery will be realized. Market fluctuations in the price of coal and/or a fluctuation in currency exchange rates may render certain coal resources uneconomic. Prolonged declines in the market price of coal may also render coal resources containing relatively lower grades of coal uneconomic to exploit. Such price fluctuations could materially reduce the Company's reported coal resources. Should such reductions occur, material write-downs of its investment in mining properties or the discontinuation of development might be required, and there could be material delays in the development of new projects and increased net losses.

RISK FACTORS (continued)

Exploration and development

All of the properties in which Goldsource has an interest are in the early-to-advanced exploration stages only, and are without a demonstrated commercial body of coal. Development of the Company's mineral properties will only follow upon obtaining satisfactory exploration results. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in the definition of commercial bodies of coal. The long-term profitability of the Company's operations, if any, will be in part directly related to the cost and success of its exploration and development programs, which may be affected by a number of factors.

Substantial expenditures are required to establish reserves through drilling, to develop processes to mine coal from the resources and, in the case of new properties to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized or coal deposit, no assurance can be given that minerals or coal will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

The marketability of any minerals or coal acquired or discovered may be affected by numerous factors, which are beyond the control of the Company and which cannot be accurately predicted, such as: the proximity and capacity of processing facilities; commodities markets; and governmental regulations, including regulations relating to royalties, allowable production and importing and exporting of minerals or coal.

Operating hazards and risks

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company may have a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious metals, any of which could result in work stoppages, damage to property, and possible environmental damage. Although Goldsource currently maintains insurance to cover some of these risks, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable against, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event Goldsource could incur significant costs that could have a materially adverse effect upon its financial condition.

Fluctuating prices

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of mineral or coal products or interests related thereto. The price of these commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond Goldsource's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of commodities and therefore the economic viability of any of the Company's exploration or development projects cannot accurately be predicted.

No assurance of titles

The Company's title to its mineral properties may be subject to challenge. While title to the properties has been diligently investigated and, to the best of the Company's knowledge, title to all properties in which it has, or has the right to acquire, an interest is in good standing, this should not be construed as a guarantee of title.

Recent Canadian jurisprudence requires governments to consult with aboriginal peoples with respect to grants of mineral rights and the issuance or amendment of project authorizations. This may affect the Company's ability to acquire, either within a reasonable time frame or at all, effective mineral titles in Canada in which aboriginal title is claimed. The risk of unforeseen aboriginal title claims also exists in foreign jurisdictions, and could also affect existing operations as well as development projects and future acquisitions. These legal requirements may affect the Company's ability to expand or transfer existing operations or to develop new projects.

RISK FACTORS (continued)

Accounting policies

The accounting policies and methods employed by Goldsource determine how it reports its financial condition and results of operations, and they may require management to make judgments or rely on assumptions about matters that are inherently uncertain. The Company's results of operations are reported using policies and methods in accordance with Canadian GAAP. Management exercises judgments in applying accounting methods to ensure that, while GAAP compliant, they reflect the most appropriate manner in which to record the Company's financial condition and operating results. In certain instances, Canadian GAAP allows accounting policies and methods to be selected from two or more alternatives, any of which might be reasonable but may result in the Company reporting materially different amounts. Management regularly re-evaluates its assumptions but the choice of method or policy employed may have a significant impact on the actual values reported.

Key personnel

The Company's development to date has depended, and in the future will continue to depend, on the efforts of key management employees. The loss of the services of such key personnel could have a material adverse effect on the Company's business. The number of persons skilled in the acquisition, exploration, development and operation of mineral properties is limited and competition for such persons is intense. If the Company is not able to attract, hire and retain qualified personnel, the efficiency of the Company's operations could be impaired, and could have an adverse impact on the Company's future operations.

Conflicts of interest

Some of the directors of the Company are also directors of other companies that are similarly engaged in the business of acquiring, exploring and developing natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company, to disclose any interest, which they may have in any project or opportunity of the Company, and to abstain from voting on such matter. Conflicts of interest that arise will be subject to and governed by procedures prescribed in the Company's Code of Ethics and by the Canada Business Corporations Act.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

MANAGEMENT'S REPORT ON DISCLOSURE CONTROLS AND PROCEDURES

Management of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operations of internal controls over financial reporting. There have been no changes in the Company's disclosure controls and procedures during the three-month period ended June 30, 2010.

DISCLAIMER

The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. It should be read in conjunction and in context with all other disclosure documents of the Company. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented.